

Message Text

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ACTION L-03

INFO OCT-01 EUR-12 NEA-10 ISO-00 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FEAE-00 FPC-01

H-02 INR-07 INT-05 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00

ACDA-07 /111 W

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R 291305Z JUL 76

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 4943

INFO AMEMBASSY LONDON

AMEMBASSY THE HAGUE

C O N F I D E N T I A L ALGIERS 1882

E.O. 11652: GDS

TAGS: EINV, AG

SUBJECT: CONCH NATIONALIZATION CASE

REF: (A) ALGIERS 1683, (B) ALGIERS 1671

1. DURING COURSE OF DISCUSSION ON OTHER MATTERS JULY 28, AMBASSADOR RAISED ISSUE OF CONCH NATIONALIZATION WITH SONATRACH PRESIDENT DIRECTOR GENERAL GHOZALI AND ASKED ABOUT SONATRACH INTENTIONS. GHOZALI NOTED THAT CONCH HAD BEEN APPROACHED EARLIER ABOUT BROADENING THE SCOPE OF ITS PARTICIPATION IN ALGERIA BY INVESTING IN NEW LNG PLANT ON SCALE OF LNG I OR LNG II. CONCH, HOWEVER, HAD CHOSEN NOT TO ACCEPT THIS OFFER. THUS, GHOZALI SAID THAT ALGERIA DID NOT WANT TO BOTHER WITH CONCH ANY FURTHER AND CONCH WOULD "LEAVE."

2. AMBASSADOR STRESSED IMPORTANCE OF ADEQUATE COMPENSATION FOR CONCH AND NOTED THAT CONCH CLAIM WAS \$38 MILLION, WHILE SONATRACH WAS OFFERING ONLY \$3 MILLION. GTOZALI SAID HE
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NOT FAMILIAR WITH DETAILS BUT IN 1971 SONATRACH HAD PAID

ONLY \$100 MILLION FOR EXISTING FRENCH OIL INTERESTS IN ALGERIA, WHICH WERE 50 TIMES MORE IMPORTANT THAN CONCH INVESTMENT IN CAMEL. IN REPLY TO AMBASSADOR'S POINT ON NEED FOR FAIR MARKET VALUE COMPENSATION, GHOZALI SAID SONATRACH COULD EASILY CALCULATE COMPENSTION ON THIS BASIS; HOWEVER, ALL OF THE VALUE THAT CONCH HAD EXTRACTED FROM ALGERIA WOULD HAVE TO BE TAKEN INTO CONSIDERATION, INCLUDING THE GAS CONCH HAD TAKEN. GHOZALI THEN STRESSED THAT SONATRACH HAD EXPERIENCE IN NATIONALIZATION CASES AND PRECEDENTS WITH PARTNERS WHO HAD NOT ONLY BEEN NATIONALIZED ON SIMILAR TERMS BUT WHO ALSO HAD STAYED IN ALGERIA AND HAD BECOME IMPORTANT PARTNERS OF GOA.

3. COMMENT: GTOZALI APPARENTLY NOT DIRECTLY FOLLOWING CONCH NATIONALIZATION CASE BUT ACCEPTED AS FOREGONE CONCLUSION THAT CONCH WOULD BE NATIONALIZED AND WOULD BE PAID ONLY SMALL AMOUNT OF MONEY FOR ITS INVESTMENT.

4. BOTH DUTCH AND BRITISH AMBASSADORS HAVE NOW MADE DEMARCHES IN SUPPORT OF CONCH. LAST TO DO SO WAS BRITISH, AND WE GATHER FROM HIS REPORT OF CONVERSATION THAT OUR INITIAL APPROACH (ALGIERS 1671) HAS AT LEAST REGISTERED. HIS INTERLOCUTOR REFERRED SOURLY TO OUR INTERVENTION ON BEHALF PRIVATE COMPANY WHEN WE HAD REFUSED TO INTERVENE WITH CHEMICO ON BEHALF GOA, ALLEGING THAT WE COULD NOT INTERFERE WITH OPERATION PRIVATE COMPANY.PARKER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, NATIONALIZATION, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ALGIER01882
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760293-0788
From: ALGIERS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760711/aaaaajci.tel
Line Count: 87
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION L
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 ALGIERS 1683, 76 ALGIERS 1671
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 03 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 MAY 2004 by buchant0>; APPROVED <27 AUG 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CONCH NATIONALIZATION CASE
TAGS: EINV, AG
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006